

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Commonwealth Edison Company	:	Docket No. 08-0532
	:	
Investigation of Rate Design Pursuant	:	
to Section 9-250 of the Public Utilities Act	:	

Surrebuttal Testimony of

**MICHAEL J. MEEHAN**

Vice President, AMI Operational Implementation  
Commonwealth Edison Company

October 23, 2009

1    **I.       INTRODUCTION**

2    **Q.       What is your name and business address?**

3    A.       Michael J. Meehan, Commonwealth Edison Company (“ComEd”), 1919 Swift Drive,  
4              Oak Brook, Illinois 60523-1502.

5    **Q.       Are you the same Michael J. Meehan who submitted direct and rebuttal testimony**  
6              **on behalf of ComEd in this Docket?**

7    A.       Yes.

8    **Q.       Has your title changed since the time you submitted your direct and rebuttal**  
9              **testimony?**

10   A.       Yes. At the time I submitted my direct and rebuttal testimony I was Interim Vice  
11              President, Customer Financial Operations. I am now Vice President, AMI Operational  
12              Implementation.

13   **A.       PURPOSE OF TESTIMONY**

14   **Q.       What is the purpose of your surrebuttal testimony?**

15   A.       The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of  
16              Coalition to Request Equitable Allocation of Costs Together (“REACT”) witness  
17              Mr. Jeffrey Merola and City of Chicago (“City”) witness Mr. Edward C. Bodmer.

18   **B.       SUMMARY OF CONCLUSIONS**

19   **Q.       In summary, what are your conclusions?**

20   A.       I conclude the following:

- 21 • Contrary to the continued assertions of Mr. Merola and Mr. Bodmer, ComEd  
22 followed the Commission's Initiating Order in this proceeding, as expressly  
23 recognized by Mr. Lazare and described in my direct and rebuttal testimony.
- 24 • Mr. Merola's recommendation regarding the purported "average costs" of  
25 providing customer services to a customer taking supply from a Retail Electric  
26 Supplier or RES ("RES supplied customer") versus providing customer services  
27 to a customer taking supply from ComEd ("ComEd supplied customer") reaffirms  
28 that his analysis is not cost based but rather is an attempt to set higher charges for  
29 ComEd supplied customers by inappropriately assigning costs from the  
30 distribution function to the supply function.
- 31 • Mr. Merola has still failed to provide any evidence to support his 50% allocation  
32 to the delivery and supply functions for all customer services costs that cannot be  
33 directly assigned.
- 34 • Mr. Merola's criticism of the experience ComEd relied upon in making its  
35 projection of a 10% reduction in call volumes with 100% switching is unfounded.
- 36 • Mr. Bodmer inexplicably ignores data provided by ComEd in discovery that  
37 directly relates to issues he raises.
- 38 • Contrary to Mr. Bodmer's claims, ComEd correctly allocates the billing and data  
39 management costs, customer installations costs, service costs, and customer  
40 information costs based on the number of customers because ComEd's experience  
41 has been that the number of customers determines the level of these costs, not the  
42 amount of electricity used by ComEd's customers.

#### 43 C. ATTACHMENTS TO TESTIMONY

#### 44 Q. What are the exhibit(s) attached to your surrebuttal testimony?

45 A. The following is a list of the exhibits attached to my surrebuttal testimony and a brief  
46 description of each:

- 47 1. ComEd Ex. 9.1 presents a summary of the number of PECO customers switching  
48 to RESs from 2000-2009;
- 49 2. ComEd Ex. 9.2 presents ComEd's Response to Data Request PL 1.06,  
50 Attachment 1; and
- 51 3. ComEd Ex. 9.3 presents ComEd's Response to Data Request PL 2.03.

52    **II.     ANALYSIS REGARDING CUSTOMER SERVICES COSTS**

53    **Q.     In rebuttal testimony, which witness addresses ComEd’s analysis of the costs for**  
54           **providing customer services to a customer supplied by a RES versus a ComEd**  
55           **supplied customer?**

56    A.     Only REACT witness Merola. (REACT Ex. 4.0C).

57    **Q.     Do you address every point made by Mr. Merola with respect to ComEd’s analysis?**

58    A.     No. Accordingly, to the extent my surrebuttal testimony does not address a point made  
59           by Mr. Merola, it should not be understood that ComEd is in agreement with that  
60           particular point raised by him.

61    **Q.     Does Mr. Merola maintain his argument raised in his direct testimony that**  
62           **ComEd’s analysis of customer services costs did not comply with the Commission’s**  
63           **directive in initiating this proceeding?**

64    A.     Yes. Mr. Merola claims that ComEd’s rebuttal testimony continues to “avoid answering  
65           the directive of the Commission.” (REACT Ex. 4.0C, 3:34-41).

66    **Q.     Should the Commission reject Mr. Merola’s argument on this point?**

67    A.     Yes. ComEd followed the Commission’s directive in the Initiating Order regarding  
68           customer services costs. Specifically, the Initiating Order in this proceeding directed  
69           ComEd to analyze costs for providing customer services to a RES supplied customer  
70           versus providing customer services to a ComEd supplied customer. Initiating Order at 2.

71           As I stated in my direct and rebuttal testimony, ComEd undertook a study of customer  
72           services costs to analyze the costs ComEd incurs in providing customer services and  
73           determine if these costs are sensitive to customers switching to a RES from ComEd.

(ComEd Ex. 2.0, 4:83-86; ComEd Ex. 5.0C, 4:94-5:98). Thus, ComEd's study complies with the Initiating Order's directive that ComEd analyze how customer services costs may change depending on customers switching to RESs.

Finally, I reiterate that Staff witness Mr. Peter Lazare expressly recognized in his direct testimony that ComEd addressed the issue set forth in the Initiating Order. (*See* Staff Ex. 1.0, 28:647-58).

**Q. Mr. Merola claims that you inaccurately characterize his testimony as only taking issue with the analysis of costs associated with the Large Customer Services department. (REACT Ex. 4.0C, 10:183-89.) Is Mr. Merola correct?**

A. No. I stated in my direct testimony that certain of ComEd's customer services costs were excluded from ComEd's detailed analysis because they undisputedly relate to ComEd's distribution service. (ComEd Ex. 2.0, 5:107-10). In particular, ComEd excluded costs incurred by Metering Services (\$34,018,844), Large Customer Services (\$7,384,136), Demand Management (\$4,301,914) and Advertising (\$612,800). (*Id.*, 5:110-12). I stated in my rebuttal testimony that, of these four categories of excluded costs, Mr. Merola only took issue with the costs associated with the Large Customer Services department. (ComEd Ex. 5.0C, 7:154-8:162).

**Q. Do you agree with the statement in Mr. Merola's rebuttal testimony that he has not recommended that the \$1.2 million in costs associated with the Large Customer Services department allocated to the supply function be reallocated to residential and small non-residential customers? (REACT Ex. 4.0C, 11:203-09).**

95 A. No. Mr. Merola's statement indicates that he does not understand his own analysis. Any  
96 amount that Mr. Merola assigns to the supply function in his testimony, and shown in  
97 REACT Ex. 2.5, and in his rebuttal testimony, and shown in REACT Ex. 4.3, gets  
98 allocated to residential customers based on the percentages listed under "Portion of Costs  
99 Allocated to Residential" shown in REACT Ex. 2.6 and REACT Ex. 4.4, respectively.  
100 For example, the \$1.2 million in costs associated with the Large Customer Services  
101 department that Mr. Merola assigns to the supply function is included in the \$70 million  
102 presented in row (1) and column (j) of REACT Ex. 4.3. In REACT Ex. 4.4, Mr. Merola  
103 allocates 80.25% of this \$70 million, or the \$56 million shown in row (1) and column (e),  
104 to residential customers. This \$56 million is part of the costs that Mr. Merola uses to  
105 determine the 0.8043 cents per kWh for ComEd supplied residential customers presented  
106 in row (5) and column (h) of REACT Ex. 4.4 and in REACT Ex. 4.0C, 7:125.

107 The 19.75% of costs assigned by Mr. Merola to the supply function and allocated to non-  
108 residential customers is part of the costs that Mr. Merola used to determine the 0.1587  
109 cents per kWh for ComEd supplied non-residential customers presented in row (5) and  
110 column (h) of REACT Ex. 4.5 and in REACT Ex. 4.0C, 8:139. Based on the switching  
111 statistics for the period from April 2008 through March 2009 in a work paper provided by  
112 REACT in support of Mr. Merola's rebuttal testimony, on average only 836 out of over  
113 300,000 (0.27%) non-residential customers supplied by ComEd during this period had  
114 demand above 400 kW, therefore these costs allocated to non-residential customers affect  
115 mainly small non-residential customers.

116 **Q. Has Mr. Merola commented on the issue that you raised with his analysis of the**  
117 **purported “average costs” of providing customer services to RES supplied versus**  
118 **ComEd supplied customers?**

119 A. Yes. Mr. Merola does not challenge my conclusion that his analysis of “average costs”  
120 of providing customer services to ComEd supplied customers would increase with the  
121 high level of switching. Instead, Mr. Merola recommends that the Commission ignore  
122 this issue and suggests that the Commission could re-examine the issue when there are  
123 high levels of customer switching. (REACT Ex. 4.0C, 16:306-25). Mr. Merola’s  
124 recommendation reaffirms that his analysis is not cost based but rather is an attempt to set  
125 higher charges for ComEd supplied customers by inappropriately assigning costs from  
126 the distribution function to the supply function.

127 **Q. Has Mr. Merola provided any evidence to support his 50% allocation to the delivery**  
128 **and supply functions for all customer services costs that “cannot be directly**  
129 **assigned to the delivery or supply function”? (REACT Ex. 4.0C, 14:270-71).**

130 A. No. Mr. Merola makes the blanket statement that his is “a very reasonable approach”  
131 because “it is clear that from a customer care perspective, the supply portion of the  
132 business is very complex.” (*Id.*, 15:287, 14:278-79). Mr. Merola’s statement is pure  
133 speculation and he provides no evidence in support. Moreover, there is no correlation  
134 between the supply portion of a ComEd bill and the complexity of ComEd’s supply  
135 function.

136 Mr. Merola also claims that supply rates have tariff components that “change far more  
137 frequently” than distribution rates, citing Rate BES-H for support. (*Id.*, 14:279-15:285).

138 Mr. Merola’s reliance on this Rate is faulty: Rate BES-H is currently a default service

for large customers with demand greater than 100 kW and is available to *all* of ComEd's customers and, therefore, must be calculated regardless of whether a customer takes supply from ComEd.

**Q. Does Mr. Merola take issue with the experience ComEd relied upon in making its projection of a 10% reduction in call volumes with 100% switching?**

A. Yes. He claims that there is no explanation for why ComEd relied upon experience from the telecommunications industry. (REACT Ex. 4.0C, 24:459-62).

**Q. Is there any merit to Mr. Merola's criticism?**

A. No. ComEd's reliance on experience from the telecommunications industry is relevant because customer behaviors are similar in industries transitioning from a regulated to a competitive environment, which is the case with both the telecommunications industry and the energy industry. Further, the telecommunications industry is now a mature market with many more years of related experience to draw from.

**Q. Does Mr. Merola similarly take issue with ComEd's reliance upon others in the industry in making its projection of a 10% reduction in call volumes with 100% switching?**

A. Yes. He claims that it was "odd" for ComEd to rely upon PECO because PECO has similar levels of switching to those of ComEd. (REACT Ex. 4.0C, 24:467-70).

**Q. Is there any merit to Mr. Merola's criticism on this point?**

A. No. PECO is another utility operating in the same energy industry and experiencing customer switching to RESs. In particular, PECO's significant experience with switching in large numbers was instructive to ComEd's analysis. A summary chart of the number



of PECO customers switching to RESs from 2000-2009 is attached as ComEd Ex. 9.1.

This chart was prepared based upon publicly available information from the Pennsylvania Office of Consumer Advocate.

**III. ANALYSIS REGARDING USAGE CONTRIBUTION TO COSTS**

**Q. In rebuttal testimony, which witness addresses ComEd's analysis of the extent to which usage contributes to customer billing costs, data management costs, installation costs, service drops, and customer information costs and whether factors other than the number of customers in a class should be taken into account in the assignment of these costs to rate classes?**

A. Mr. Bodmer, on behalf of the City of Chicago. (City Ex. 2.0).

**Q. Do you address every point made by Mr. Bodmer with respect to ComEd's analysis?**

A. No. Accordingly, to the extent my surrebuttal testimony does not address a point made by Mr. Bodmer, it should not be understood that ComEd is in agreement with that particular point raised by him.

**Q. Is Mr. Bodmer correct in stating in various places in his rebuttal testimony that ComEd agrees with his analysis merely because ComEd did not respond to certain statements in his direct testimony? (City Ex. 2.0, 33:707-10, 37:789-92).**

A. No. As I have done in this surrebuttal testimony, I stated in my rebuttal testimony that ComEd's silence on any particular point made by Mr. Bodmer was not to be construed as agreement with that point. (ComEd Ex. 5.0C, 17:365-76).

**Q. Is there anything else wrong with Mr. Bodmer's broad statements about ComEd's silence in testimony on certain points?**

183 A. Yes. Mr. Bodmer ignores points made in ComEd's testimony and ignores data that was  
184 provided by ComEd in discovery that directly relates to issues he raises. Mr. Bodmer  
185 forgets that my direct testimony stated that "the validation, estimation, and editing  
186 functions ("VEE") of the Billing department, which drive labor costs, are based upon the  
187 quality and availability of meter readings, which feed system calculations, and do not  
188 have any dependency on the company from which a customer receives supply service."  
189 (ComEd Ex. 2.0, 10:211-14.) In his rebuttal testimony, Mr. Bodmer states that ComEd  
190 did not refute his argument in direct testimony that "it is logical that billing errors occur  
191 more often for business ratepayers with complex bills and less often for low use  
192 ratepayers who have simple bills." (City Ex. 2.0, 37:789-91).

193 ComEd clearly demonstrated in discovery that Mr. Bodmer's assumption was neither  
194 logical nor supported by the facts, because of the over 92,000 billing adjustments made  
195 by ComEd in 2006, more than 65,000 were made for residential customers. (See ComEd  
196 Ex. 9.2, Response to Data Request PL 1.06\_Attach 01, page 5, column (K)). ComEd  
197 further demonstrated the failure of Mr. Bodmer's assumption because "[a]n irregular  
198 situation can take place on any bill account," thereby creating a need for a billing  
199 exception. (See ComEd Ex. 9.3, Response to Data Request PL 2.03).

200 **Q. Does Mr. Bodmer maintain his argument raised in his direct testimony that the**  
201 **Commission should reject ComEd's allocation of costs based on the number of**  
202 **customers?**

203 A. Yes. Mr. Bodmer continues to recommend allocation of costs based on usage instead of  
204 the number of customers, which is purportedly supported by his review of each account

205 for “customer-related costs” and his identification of the cause of each cost. (City  
206 Ex. 2.0, 32:671-33:705).

207 **Q. Should the Commission reject ComEd’s allocation of costs based on the number of**  
208 **customers?**

209 A. No. As I described in my rebuttal testimony, contrary to Mr. Bodmer’s claims, ComEd  
210 correctly allocates the billing and data management costs, customer installations costs,  
211 service costs, and customer information costs based on the number of customers because  
212 ComEd’s experience has been that the number of customers determines the level of these  
213 costs, not the amount of electricity used by ComEd’s customers. (ComEd Ex. 5.0C,  
214 18:385-93, 22:479-86).

215 **IV. CONCLUSION**

216 **Q. Does this conclude your surrebuttal testimony?**

217 A. Yes.